

MODULE 03: FINANCIAL ANALYSIS

Lecture Title 07: BUDGETING & BUSINESS FORECASTS



Lecturer: Antoine P. Portelli

Date: 31 January 2026

**Undergraduate Diploma in
Business Administration**

Group Presentations

Each Group will be assigned, by lot, a different Annual Report. The chosen report must be used for the group presentation on Wednesday, 14 February 2026's session.

- Analyse and comment on the financial performance of the company using **ratio analysis**.
- Use between **5 and 7 ratios**.
- Give the **workings** at arriving at each of the chosen ratios, indicating from where the financial information was obtained.
- **Compare the ratios** of the company for this financial year and last year's ratios.
- **Research information** about the company that you consider relevant to potential new investors.



Groups

GROUP 1	Muhammad Ahmed Chorahi
GROUP 1	Anmol Dharwal
GROUP 1	Vishal Singh Charak
GROUP 1	Ayush K C
GROUP 1	Abdullah Al Tajowar
GROUP 1	Aniket Choudhary
GROUP 2	Saiteja Palubai
GROUP 2	MD Showrav
GROUP 2	MD Kamrul Islam
GROUP 2	Yogesh Bhattarai
GROUP 2	Abdul Raheem Khan
GROUP 2	Ganga Kumari Khatri
GROUP 3	Nitisha Kandel
GROUP 3	Jayan Dhanaha Magar
GROUP 3	Ibrahim Tariq
GROUP 3	Binod Kumar Chaudhary
GROUP 3	Sameer Gurung
GROUP 3	Abhinas Dawadi

GROUP 4	Bishal Gopal Dhaubhadel
GROUP 4	Muhammad Umar
GROUP 4	Amar Shaheer Ali
GROUP 4	Dipendra Neupane
GROUP 4	Anas Mehmood
GROUP 4	Trishna Shahi
GROUP 5	Jasmeen Kaur
GROUP 5	Binisha Thapa
GROUP 5	Sujatam Prajapati
GROUP 5	Suman Kumar Basnet
GROUP 5	Deepak Kumar
GROUP 5	Hiralal Sunar
GROUP 6	Jharana Rana Magar
GROUP 6	Lebogang Kando Boiditswe
GROUP 6	Gurdeep Kaur Mann
GROUP 6	Umair Hassan
GROUP 6	Rabina Nepali

GROUP 7	Kame Bahadur Roka
GROUP 7	Nirmal Rayamajhi
GROUP 7	Amrita Pahadi
GROUP 7	Dhawa Lajum Gurung
GROUP 7	Aayush Dharni
GROUP 8	Arya Sharma
GROUP 8	Chandan Mehra
GROUP 8	Abishek Thapa
GROUP 8	Anish Gurung
GROUP 8	Biki Ganesh
GROUP 9	Joyal Kohar
GROUP 9	Shiwani Sundas
GROUP 9	Shital Kumari Das Kathbaniya
GROUP 9	Bivash Timalisina
GROUP 9	Sarens Chaudhary

Presentations

The 9 Annual Reports are:

COMPANY REF	COMPANY NAME	GROUP NO.
A	RELIANCE INDUSTRTIES LIMITED	1
B	INTERNATIONAL INDUSTRIES	2
C	HINDUSTAN UNILEVER LIMITED	8
D	UNILEVER NEPAL LIMITED	9
E	INDUSIND BANK	5
F	AL-ABBAS SUGAR MILLS LIMITED	3
G	NEPAL RASTRA BANK	6
H	BUNNY'S LIMITED	7
J	IBL HEALTHCARE LIMITED	4

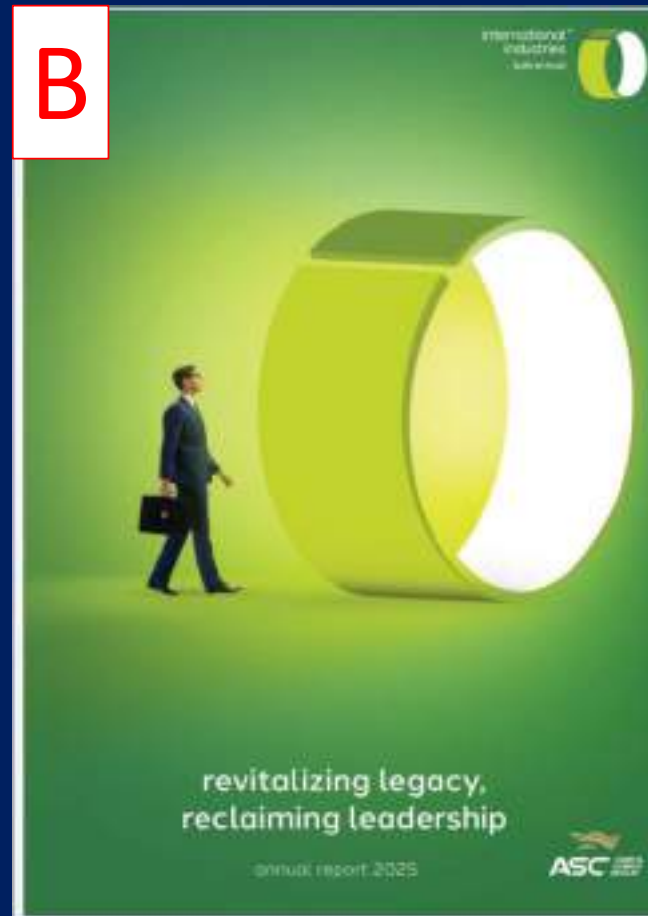


Presentation

A



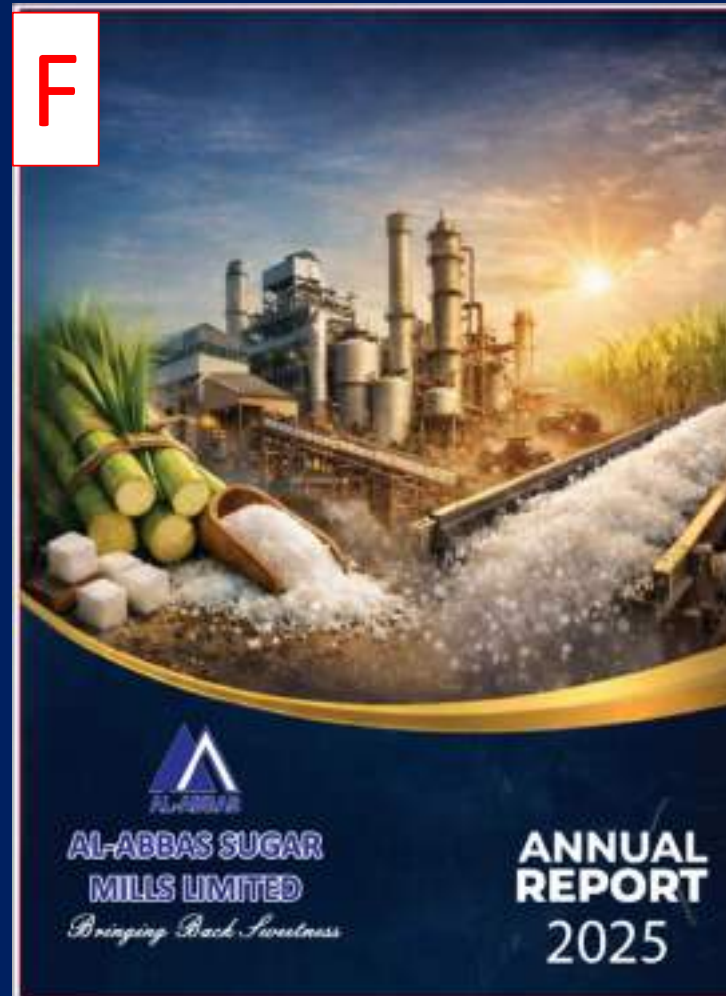
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Presentation

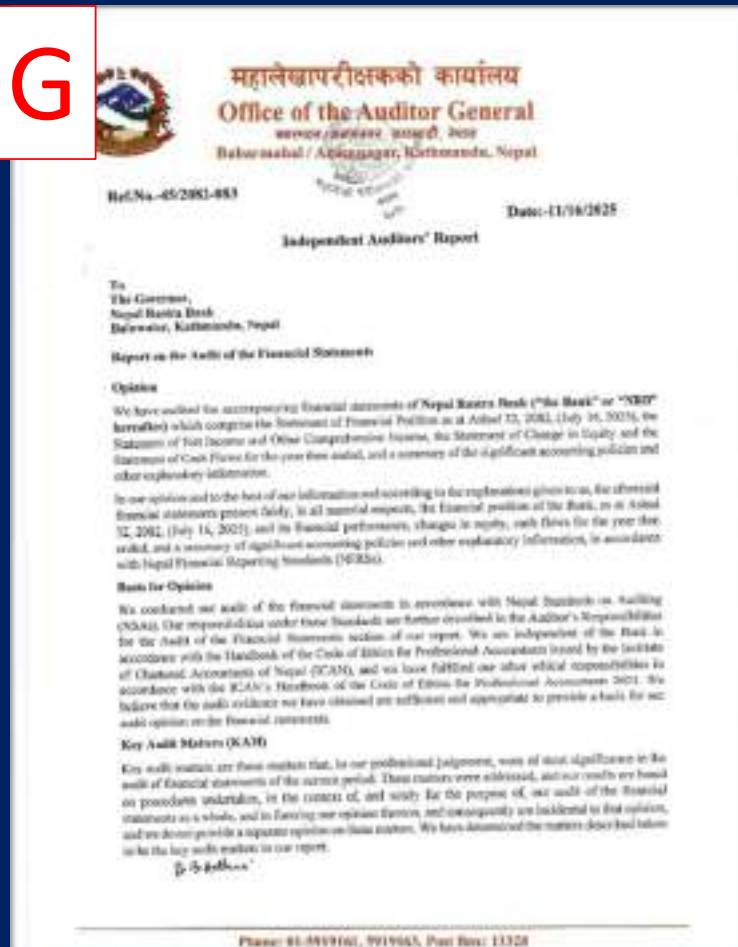


Presentation



Presentation

G

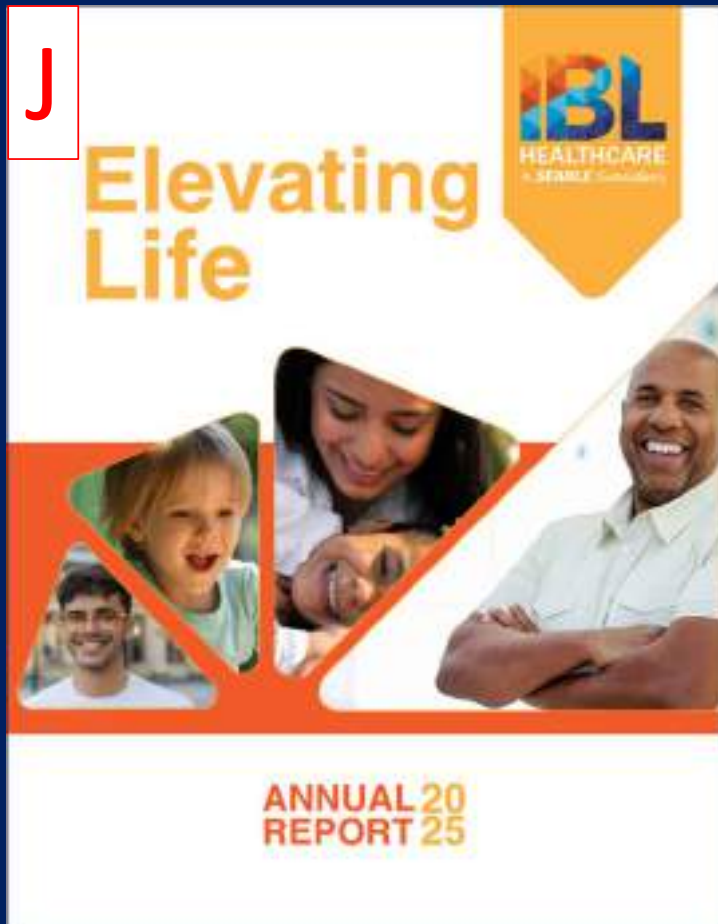


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Presentation

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Assignment Questions

- Assignment Deadline: **19 February 2026**
- Approx. 20 hours researching and writing
- Word count: 1,200 words
- You are expected to use the Harvard referencing style
- Presentation is VERY important
- Choose any ONE of the questions



Assignment Questions

Question 1:

- Using a set of published financial statements from a publicly listed company, perform a critical analysis of how key accounting principles and concepts have been applied in preparing the reports. Focus specifically on the implications of the **Accrual Concept**, the **Prudence Concept**, and the **Going Concern Concept**.
- Your 1,200-word assignment should:
 - Explain how the application of these principles affects the reported figures for profit, assets, and liabilities.
 - Evaluate how the company's chosen accounting policies, particularly regarding depreciation methods or inventory valuation, reflect these principles.
 -
- Key Areas of Focus should be:
- **Accrual Basis vs. Cash Basis:** Students must explain how revenue recognition (matching principle) impacts the reported profit figures, often leading to different conclusions than simply tracking cash inflows and outflows.
- **Prudence:** The analysis should identify areas where management made conservative estimates (e.g., provisions for bad debts, accelerated depreciation) and how this potentially understates assets and overstates expenses to play it safe.
- **Going Concern:** Students must discuss the reliance placed on the assumption that the business will continue to operate, and how auditors signal concerns (or lack thereof) in their reports, which heavily influences external stakeholders like banks.



Assignment Questions

Question 2:

- Identify the main internal and external users of accounting information of a business, with special emphasis on the type of information each group requires. Give detailed examples of why the users would require such information, and what limitations, if any, exist in providing such data.



Assignment Questions

Question 3:

Ratio analysis is an important tool to measure and interpret the success of any business. It allows top management to understand the health of the business, and map strategies for the future.

Outline the financial ratios listed hereunder, providing details on how to calculate the ratios. List also, for each ratio, their meaning and use; and their importance and limitations:

- Acid-Test Ratio
- Asset Turnover Ratio
- Average Inventories Turnover Period
- Average Receivables Settlement Period
- Current Ratio
- Earnings per Share
- Gearing Ratio
- Gross Profit Margin
- Return on Capital Employed
- Return on Equity



What we covered in Lecture 06

- Long-Term Sources of Finance
- Risk Assessments
- Business Life-Cycle



Long-Term Sources of Finance

- To purchase and finance long-term assets (Fixed Assets)
 - Cheaper than short-term finance
 - Longer to obtain
 - Collateral
-
- Long-term Debt
 - Equity



Risk

- Risk appetite of Business
- Lowest: Debt vs. Equity
- Lowest: Short-term vs. Long-term
- Flexible terms vs. Fixed term
- Collateral vs. Provisions
- Dividends vs. Interest



Business Lifecycle

A firm typically goes through **5** stages in its life cycle: start-up, growth, maturity, decline, and closing.

The business life cycle.



- Each stage presents unique problems, opportunities, and funding requirements.
- Business life cycles vary considerably. Some firms go through the early stages fairly rapidly and then settle into maturity for a long time, while others skip to the closing stage in a few years.
- Some estimates predict that roughly 60% of businesses that employ others besides the owners will close within their first 6 years.
- The life cycle approach is a useful way to discuss financing opportunities and sources for businesses.

What is equity capital?

- Ordinary shares
 - Ordinary shares represent the equity share capital of the firm
 - Share in the rising prosperity of a company
 - Owners of the firm
 - The right to exercise control over the company
 - Vote at shareholder meetings
 - A right to receive a share of dividends distributed
 - Each shareholder entitled to a copy of the annual report
 - No agreement between ordinary shareholders and the company that the investor will receive back the original capital invested
 - What ordinary shareholders receive depends on how well the company is managed



Preference shares

- Preference shares usually offer their owners a fixed rate of dividend each year
- However if the firm has insufficient profits the amount paid would be reduced, sometimes to zero
- The dividend on preference shares is paid before anything is paid out to ordinary shareholders
- Preference shares are part of shareholders' funds but are not equity share capital



Today's Agenda



Reporting the Analysis



Budgetary Process



Business Forecasts

Reporting the Analysis

A Framework for Interpretation

- Objectives of the analysis:
 - Who wants the info and why?
(e.g. Investor / Creditor / Takeover analyst)
 - What information is required?
 - Where is information to be found?
 - Going beyond the annual report
 - What factors may distort the analysis?



Distorting Factors

- What is the story told by the accounts?
- Is the story the truth?
- Are there confounding factors in the source data?
 - lack of context
 - accounting policy choice
 - inflation
 - intangibles (effect of brands/ knowhow/ management skills)



Reporting the Results of Analysis

1

Try to
produce a
structured
report

2

Avoid jargon

3

Define all
calculations

4

Use as many
sources as
appropriate

5

Report Format

- Introduction
- Analysis
- Advice and recommendations
- Conclusions

Report Format: Introduction

- Terms of reference of report (objectives)
- Identify subject (entity being analysed)
- Identify reader(s)
- Indicate structure of report (sections – use of appendices)



Report Format: Analysis

- A number of sections
- Profitability
- Use of assets
- Servicing of debt
- Suitability as an investment



Report Format: Advice and Recommendations

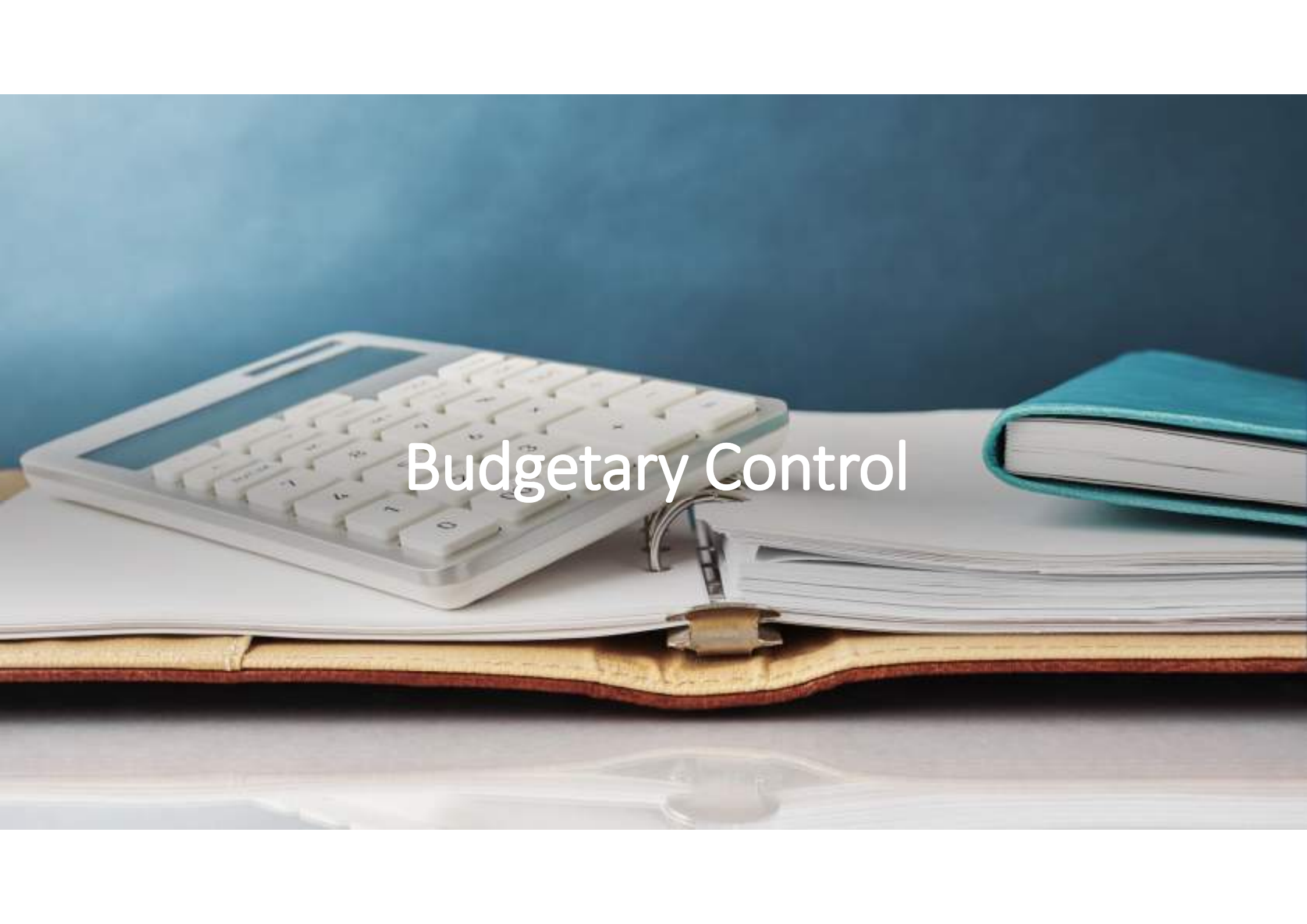
- Hardest section
- Start with obvious advice first, e.g.:
 - Low profitability: raise sales volume/prices or lower costs
 - Market Research: is product/service likely to increase in demand ?
 - Debt servicing problems: restructure debt/ refinance
 - Investment options: Buy or Lease
- Always give options, where possible!



Report Format: Conclusions

- Summarise main points of analysis
- Conclude: be clear
- Emphasize your conclusion
- Indicate limitations of analysis



A white calculator with a blue display is positioned on the left. To its right is a blue notebook with a textured cover. Below these items is a brown leather-bound book with a metal clasp. The entire scene is set against a blue background.

Budgetary Control

Budgetary control

- Internal to the business
- Is the process of developing a plan on spending the budgeted money and periodically comparing actual expenditures against that plan to determine if everything is on track
- Is necessary to meet various financial goals



Purpose and content of budgets

The purpose

- Forecast of income and expenditure (and thereby profitability)
- Tool for decision making by:
 - Management
 - Board of Directors
 - Shareholders
- Means to monitor business performance



Purpose and content of budgets

The budget of a business serves five main purposes

- Communication
- Coordination
- Planning
- Control
- Evaluation



Purpose of budgets

Other purposes

- It makes financial information accessible to the people in the organisation that need to use it
- Helps avoid waste – as each amount of money is carefully calculated, helping to see how they are spent
- Promotes forward thinking
- Helps to challenge the Status Quo



Purpose of budgets

Other purposes

- Turns strategic objectives into practical reality
- Establishes priorities
- Assigns responsibilities
- Delegates without loss of control
- Provides motivation for managers
- Motivates staff



Content of budgets

Content

- Sales volumes
- Revenues
- Resource quantities
- Costs and expenses
- Assets
- Liabilities
- Cash flows, etc.



Purpose and content of budgets

A budget should contain **two main categories**

- Expected Expenditure
 - Capital costs
 - assets that need to be bought: Buildings, computers, cars, storage,
 - Running costs
 - expenses to help running the operation: rent, electricity, telephone, professional advice,
 - Staff costs
 - salaries, staff benefits, staff training,
 - Project costs or operational costs
 - buying materials and stock, printing costs, transport costs, workshop costs, catering,



Purpose and content of budgets

- Expected Income
 - Donor funds
 - lists the funders and the amounts expected from them
 - Membership fees
 - Donations
 - Fund-raising events
 - Sales
 - Products and services sold by the business



Purpose and content of budgets

The difference between the Expected Expenditure and the Expected Income

- If the business will get more money than it will spend – it is referred to as Expected Surplus – Expected Profit
- If the business will get less money - it is called a Deficit – Expected Operational Loss



Budgetary control process

It includes

- Preparation of various budgets
- Continuous comparison of actual performance with budgetary performance
- Revision of budgets in the light of changed circumstances



Budgetary control process

Should comprise of

- Budget centres - units responsible for the preparation of budgets
- Budget committee - consisting of:
 - senior members of the organisation and departmental heads
 - Budget Officer



Budget Centres & Committees

- Budget centres - units responsible for the preparation of budgets
- Budget committee - consisting of:
 - Senior members of the organisation and departmental heads
 - Responsibilities:
 - Coordination of the preparation of budgets
 - Issuance of timetables for preparation of budgets
 - Provision of information to assist budget preparations
 - Comparison of actual results with budget and investigation of variances



Budget Officer

- Will co-ordinate and control the budget administration
- Responsibilities
 - Liaising between the budget committee and managers responsible for budget preparation
 - Dealing with budgetary control problems
 - Ensuring that deadlines are met
 - Educating people about budgetary control



Budget control process

Should comprise of

- Budget Manual
Document containing
 - Charts the organisation
 - Details of the budget procedures
 - Account codes
 - Timetables of the process
 - Definitions of responsibilities of all involved persons and officers
- Budget Controller – the Chief Executive Officer



Importance of budgets for management

The budgets help a business benefit in many ways:

- Enhancing managerial perspective
- Flagging potential problems
- Coordinating activities



Benefits of Budget Process

The budgets help a business benefit in many ways:

- Enhancing managerial perspective
 - the business economic forecasting help managers synthesize the external environment with the company's internal objectives
- Flagging potential problems
 - helping managers revise their immediate plans to cover for shortfalls
- Coordinating activities
 - by including all various segments within the business



Importance of budgets for management

The budgets help a business benefit in many ways:

- **Evaluating performance** - with established criteria for quick and easy performance evaluations
- **Defining goals** - showing growth levels on each department of the company
- **Effective communication** - in setting expectations and deadlines
- **Actual performance reporting** - by regular comparison of actual performance to the budget

